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U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
406 CANNON HOUSE OFFICE BUILDING

Washington, DC 20515

TELEPHONE (202) 226-7548

Ann
File
FY-87
Budget Proposal
Amend

OPENING STATEMENT

OF

THE HONORABLE MARY ROSE OAKAR, CHAIR

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

OF THE

HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

OVERSIGHT HEARING ON FY 1987 BUDGET PROPOSALS

THURSDAY, FEBRUARY 20, 1986

WASHINGTON, D.C.

WE HAVE SCHEDULED THIS HEARING TODAY IN ORDER FOR THE SUBCOMMITTEE TO EXPEDITIOUSLY FULFILL ITS OBLIGATIONS UNDER THE BUDGET ACT CONCERNING THE PROPOSALS IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1987 AFFECTING FEDERAL PAY, THE CIVIL SERVICE RETIREMENT SYSTEM, AND THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM.

WE HAVE ALSO REQUESTED THE WITNESSES TO TESTIFY ON H.R. 4060, LEGISLATION I INTRODUCED A FEW WEEKS AGO TO GUARANTEE THE JANUARY 1987 COST-OF-LIVING ADJUSTMENT TO CIVIL SERVICE ANNUITANTS. I AM VERY PLEASED THAT THIS BILL HAS 93 CO-SPONSORS AS OF YESTERDAY.

TO BRIEFLY SUMMARIZE THE PRESIDENT'S BUDGET PROPOSALS, THE ADMINISTRATION IS SEEKING TO:

- * PROVIDE A 3 PERCENT PAY INCREASE FOR CIVILIAN EMPLOYEES EFFECTIVE IN JANUARY 1987;
- * INCREASE THE EMPLOYEE CONTRIBUTION TO THE CIVIL SERVICE RETIREMENT SYSTEM FROM 7 PERCENT TO 9 PERCENT EFFECTIVE IN JANUARY 1987;
- * ELIMINATE THE CIVIL SERVICE RETIREMENT COLA DUE IN JANUARY 1987 AND LIMIT FUTURE COLAS TO THE INCREASE IN THE CONSUMER PRICE INDEX LESS 2 PERCENTAGE POINTS;

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- * RAISE THE MINIMUM RETIREMENT AGE FOR FULL BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM FROM 55 TO 62, WITH A 2 PERCENT REDUCTION IN THE ANNUITY FOR EACH YEAR AN INDIVIDUAL IS UNDER AGE 62. EMPLOYEES WHO ARE ALREADY AGE 55 WOULD NOT BE AFFECTED, AND THE PROPOSAL WOULD BE PHASED-IN OVER 4 YEARS;
- * CHANGE THE CIVIL SERVICE RETIREMENT FORMULA SO THAT ANNUITIES WOULD BE CALCULATED ON THE HIGHEST FIVE YEARS, RATHER THAN THE HIGHEST THREE YEARS OF GOVERNMENT SERVICE. EMPLOYEES ELIGIBLE FOR RETIREMENT OR WITHIN 3 YEARS OF RETIREMENT WOULD NOT BE AFFECTED;
- * CONFORM CIVIL SERVICE SURVIVOR, ADULT STUDENT, AND MINIMUM BENEFITS TO THOSE PROVIDED BY SOCIAL SECURITY;
- * REQUIRE THE POSTAL SERVICE AND THE DISTRICT OF COLUMBIA TO PAY THE FULL ACTUARIAL COST OF RETIREMENT BENEFITS; AND
- * IMPLEMENT A VOUCHER PLAN TO REPLACE THE CURRENT HEALTH BENEFITS PROGRAM.

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I AM VERY DISAPPOINTED BY THE PROPOSALS CONTAINED IN THE PRESIDENT'S BUDGET. MOST OF THEM HAVE BEEN SUBMITTED BY THE PRESIDENT IN PRIOR YEARS AND HAVE BEEN SUMMARILY REJECTED BY THIS SUBCOMMITTEE, THE FULL POST OFFICE AND CIVIL SERVICE COMMITTEE, AND THE HOUSE. WE HAVE REFUSED TO ACCEPT THE PROPOSALS BECAUSE OF THEIR SEVERE IMPACT ON THE MORALE AND THE PRODUCTIVITY OF FEDERAL EMPLOYEES, AS WELL AS THE VITAL SERVICES THAT THEY PERFORM FOR THE CITIZENS OF OUR COUNTRY.

LET US CONSIDER FOR A MOMENT WHO WOULD BE ADVERSELY AFFECTED BY THE PRESIDENT'S PROPOSALS. SOMETIMES WE LOOK AT STATISTICS AND FAIL TO FULLY APPRECIATE THEIR IMPACT ON PEOPLE AND ESSENTIAL GOVERNMENT PROGRAMS.

PEOPLE, SUCH AS OUR ASTRONAUTS WHO TRAGICALLY GAVE THEIR LIVES IN THE SERVICE OF THEIR COUNTRY -- WHO REPRESENT THE HOPES, ASPIRATIONS, AND PIONEERING SPIRIT THAT HAS BEEN THE HALLMARK OF OUR GREAT NATION.

PEOPLE, SUCH AS LAW ENFORCEMENT OFFICERS WHO FACE GRAVE DANGER IN ATTEMPTING TO STEM THE FLOW OF ILLEGAL DRUGS THAT ARE FLOODING OUR NATION; AND OUR FOREIGN SERVICE PERSONNEL, WHO HAVE FELT THE BRUTALITY AND HUMAN SUFFERING OF TERRORIST ATTACKS.

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WE'RE TALKING ABOUT THE PEOPLE WHO WORK AT THE NATIONAL INSTITUTES OF HEALTH, WHO ARE PERFORMING INVALUABLE CANCER RESEARCH; OUR LETTER CARRIERS AND POSTAL WORKERS, WHO ARE SO DEPENDABLE AND FROM WHOM WE RECEIVE THE GREATEST MAIL SERVICE IN THE WORLD; AND THE FOOD AND DRUG ADMINISTRATION EMPLOYEES, WHO INSPECT MEAT AND POULTRY TO PROTECT OUR CITIZENS FROM DISEASE.

WE'RE REFERRING TO THE DEDICATED EMPLOYEES WHO ARE RESPONSIBLE FOR PROGRAMS ASSISTING THE FARMERS OF THIS NATION, AND THOSE EMPLOYEES WHO MAKE CERTAIN THAT SOCIAL SECURITY AND MEDICARE BENEFITS ARE ADMINISTERED PROPERLY FOR OUR SENIOR CITIZENS AND OUR DISABLED.

WHEN WE SAY "FEDERAL EMPLOYEE," WE ARE NOT SIMPLY REFERRING TO A FACELESS BUREAUCRACY; WE'RE DESCRIBING MANY OF OUR SONS AND OUR DAUGHTERS, OUR NEIGHBORS, AND OUR FRIENDS. WE ARE REFERRING TO OUR GRANDPARENTS AND OTHER SENIORS WHO DEDICATED THEIR LIVES TO PUBLIC SERVICE.

THESE ARE THE MEN AND WOMEN WHO HAVE BEEN MUCH MALIGNED AND ABUSED, IN MY JUDGMENT, BY THE ADMINISTRATION. THESE ARE THE MEN AND WOMEN WHO ARE NOW FACING FURTHER REDUCTIONS IN THEIR OVERALL PAY, RETIREMENT BENEFITS, AND HEALTH INSURANCE. THESE ARE THE VICTIMS OF THE FISCAL YEAR 1987 BUDGET, WHO ARE BEING SINGLED OUT AGAIN FOR EXTRAORDINARY SACRIFICES.

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I CANNOT AGREE THAT THESE MEASURES ARE NECESSARY, FAIR, OR IN THE PUBLIC INTEREST. THESE ARE THE PEOPLE WHO ARE WORKING TO MAKE OUR COUNTRY THE GREATEST COUNTRY IN THE WORLD. WE SHOULD SAY THANK YOU TO THEM, NOT VICTIMIZE THEM IN THE BUDGET YEAR AFTER YEAR.

SOME MAY APPLAUD THE PRESIDENT FOR PROPOSING A 3 PERCENT WAGE INCREASE IN JANUARY, PARTICULARLY IN LIGHT OF THE FACT THAT HE SOUGHT A 5 PERCENT PAY REDUCTION LAST YEAR. IT IS IMPORTANT TO REMEMBER, HOWEVER, THAT THE PRESIDENT'S OWN PAY AGENT HAS RECOMMENDED A WAGE INCREASE OF NEARLY 20 PERCENT AND THAT A STUDY CONDUCTED FOR OUR COMMITTEE MORE THAN A YEAR AGO SHOWED THAT FEDERAL WAGES WERE MORE THAN 10 PERCENT BEHIND THE PRIVATE SECTOR. GIVEN THE FACT THAT THERE WAS NO PAY RAISE IN FISCAL YEAR 1986, THIS FIGURE IS NOW 19 PERCENT.

IN ORDER TO PLACE THE PAY PROPOSAL IN FURTHER PERSPECTIVE, WE SHOULD REVIEW THE HISTORY OF WAGE INCREASES IN THE FEDERAL GOVERNMENT FOR THE PAST 16 YEARS. WAGES FOR WHITE COLLAR WORKERS HAVE RISEN 133.25 PERCENT, WHILE MILITARY PAY HAS GROWN BY 226.51 PERCENT, AND WAGES IN THE PRIVATE SECTOR HAVE INCREASED BY 186.64 PERCENT. IN COMPARISON TO THE MILITARY AND THE PRIVATE SECTOR, FEDERAL WHITE COLLAR WAGES HAVE FALLEN SUBSTANTIALLY BEHIND,

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DESPITE THE CLEAR INTENTION OF THE FEDERAL WAGE COMPARABILITY ACT OF 1970 THAT GENERAL SCHEDULE PAY REMAIN COMPARABLE TO WAGES IN THE PRIVATE SECTOR.

IT IS ALSO IMPORTANT TO KNOW THAT, DURING THE SAME PERIOD, THE CONSUMER PRICE INDEX HAS INCREASED BY 189.56 PERCENT. SINCE 1970, FEDERAL WHITE COLLAR WORKERS HAVE SEEN THEIR STANDARD OF LIVING STEADILY DECREASE, DESPITE THE REDUCTION IN THE RATE OF INFLATION FOR THE PAST FEW YEARS.

TODAY, THE FEDERAL GOVERNMENT CANNOT COMPETE WITH THE PRIVATE SECTOR FOR ENGINEERING, SCIENTISTS, AND OTHER HIGH TECH OCCUPATIONS. WE ARE ALSO FACING THE LOSS OF THOUSANDS OF COMPETENT PERSONNEL BECAUSE OF INADEQUATE PAY AND FRINGE BENEFITS. I AM SO CONCERNED WITH THE CURRENT PROBLEMS STEMMING FROM INADEQUATE COMPENSATION IN THE FEDERAL GOVERNMENT THAT I INTEND TO INITIATE HEARINGS ON THESE MATTERS WITHIN THE NEXT FEW WEEKS AND TO DEVELOP LEGISLATION FOR CONSIDERATION BY THE HOUSE BEFORE THE AUGUST WORK PERIOD.

IN REVIEWING THE PROPOSAL FOR A 3 PERCENT PAY RAISE, WE SHOULD ALSO TAKE INTO ACCOUNT THE PRESIDENT'S REQUEST TO INCREASE THE RETIREMENT CONTRIBUTION BY 2 PERCENT. TAKEN TOGETHER, THESE TWO PROPOSALS PROVIDE FOR A NET INCREASE IN ANNUAL PAY FOR A GS-5 EMPLOYEE OF LESS THAN \$50, A GS-9 EMPLOYEE LESS THAN \$20, A GS-12

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EMPLOYEE WOULD ACTUALLY SUFFER A WAGE LOSS OF \$63, AND AN ES-4 EMPLOYEE WOULD RECEIVE \$348 LESS THAN CURRENT PAY, PRIMARILY BECAUSE OF THE INCREASE IN TAXES. THESE STATISTICS DO NOT REFLECT ANY INCREASE IN INFLATION, WHICH WOULD HAVE A FURTHER NEGATIVE IMPACT ON FEDERAL EMPLOYEES' STANDARD OF LIVING. IT IS APPARENT THAT THE PAY RAISE PROPOSAL, IN CONJUNCTION WITH THE INCREASE IN RETIREMENT COSTS, IS NOTHING MORE THAN A "SLEIGHT OF HAND," RESULTING IN LITTLE OR NO BENEFIT TO FEDERAL EMPLOYEES.

I AM ALSO DISHEARTENED WITH THE PRESIDENT'S CONTINUING ATTACK ON THE CIVIL SERVICE RETIREMENT SYSTEM. EVEN THOUGH THE PRESIDENT'S PROPOSALS ARE NOT AS SEVERE AS THEY WERE LAST YEAR, THE CUMULATIVE IMPACT OF THE PROPOSED REDUCTIONS WOULD BE TO DRIVE THE COST OF THE CURRENT SYSTEM TO APPROXIMATELY 17 PERCENT OF PAYROLL. THIS IS LESS THAN MOST PRIVATE SECTOR CORPORATIONS SPEND ON RETIREMENT BENEFITS FOR THEIR EMPLOYEES.

FURTHERMORE, ACCORDING TO THE GENERAL ACCOUNTING OFFICE (GAO), AN EMPLOYEE WHO RETIRES AT AGE 61 WITH 30 YEARS OF SERVICE AND WHO RECEIVES A \$15,000 ANNUAL ANNUITY WOULD SUFFER A LOSS OF \$111,767 IN BENEFITS OVER A LIFETIME AS A RESULT OF THE CHANGE TO THE "HIGH FIVE", THE PRE-62 REDUCED ANNUITY, AND THE COLA REDUCTION. THE GAO ALSO DETERMINED THAT A TYPICAL FEDERAL EMPLOYEE EARNING \$27,000 WITH 14 YEARS OF SERVICE WOULD PAY AN ADDITIONAL \$11,751 TO THE CIVIL SERVICE RETIREMENT SYSTEM IF THE

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RATE IS INCREASED TO 9 PERCENT. TAKEN TOGETHER, THESE PROPOSALS WOULD COST AN AVERAGE EMPLOYEE OVER \$120,000 IN REDUCED BENEFITS AND LOSS OF SALARY. TO ME, THIS IS TOTALLY UNFAIR AND UNWARRANTED.

ONE OF THE PROPOSALS WHICH CONCERNS ME THE MOST IS THE ELIMINATION OF THE COLA IN JANUARY 1987. EARLIER THIS YEAR, FEDERAL ANNUITANTS WERE DENIED THE JANUARY 1986 COLA UNDER THE PROVISIONS OF THE GRAMM-RUDMAN LAW. I OPPOSED THIS PROVISION AND THE GRAMM-RUDMAN LEGISLATION BECAUSE OF ITS INHERENT UNFAIRNESS TOWARD FEDERAL ANNUITANTS. IT IS OUTRAGEOUS TO EVEN CONSIDER THE DENIAL OF A SECOND COLA ADJUSTMENT FOR THESE INDIVIDUALS WHO ARE RECEIVING A TOTAL PENSION WHICH AVERAGES APPROXIMATELY \$12,000 A YEAR AND FOR SURVIVORS WHO ARE RECEIVING \$6,000 A YEAR.

FOR THESE REASONS, I INTRODUCED H.R. 4060, IN ORDER TO GUARANTEE THAT THE 1987 COLA WOULD BE PAID TO CIVIL SERVICE ANNUITANTS AND SURVIVORS. I FEEL THAT THIS IS THE VERY LEAST THAT WE CAN DO FOR THOSE INDIVIDUALS WHO HAVE ALREADY BEEN FORCED TO SUFFER MORE THAN ANYONE ELSE UNDER THE BUDGET-CUTTING AXE OF GRAMM-RUDMAN.

WITH REGARD TO THE PROPOSAL TO CREATE A VOUCHER PLAN AS A SUBSTITUTE FOR THE CURRENT FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM, THIS NOTION IS NOT NEW TO THE SUBCOMMITTEE. I, FOR ONE,

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HAVE CONSISTENTLY OPPOSED A VOUCHER PLAN AND I WILL CONTINUE TO OPPOSE ANY PLAN THAT DRASTICALLY REDUCES HEALTH BENEFITS FOR FEDERAL WORKERS AND RETIREES.

WE ARE LOOKING FORWARD TO THE TESTIMONY OF THE MANY FINE WITNESSES THIS MORNING. BECAUSE OF THE NUMEROUS WITNESSES WHO HAVE REQUESTED THE OPPORTUNITY TO TESTIFY, WE ARE GOING TO ASK THEM TO BRIEFLY SUMMARIZE THEIR TESTIMONY SO THAT WE WILL HAVE AN OPPORTUNITY FOR QUESTIONS. YOUR FULL STATEMENTS WILL, OF COURSE, BE MADE A PART OF THE PERMANENT HEARING RECORD. I GREATLY APPRECIATE THE TIME AND THOUGHT THAT THE WITNESSES HAVE DEVOTED TO THEIR TESTIMONY. I LOOK FORWARD TO HEARING FROM EACH AND EVERY ONE OF YOU.